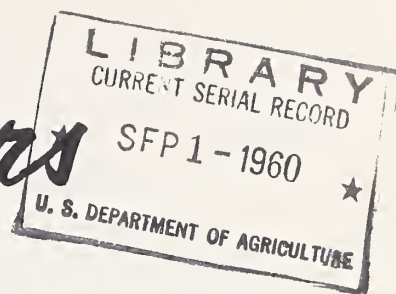


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Milk Distributors



Sales and Costs

October-December 1959

MILK DISTRIBUTORS' SALES AND COSTS
October-December 1959

By D. D. MacPherson and Helen V. Smith
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Agricultural Marketing Service

: This report is the current issue of a series based upon :
: information obtained from distributors of fluid milk and :
: cream products. These distributors are subscribers to a :
: cost comparison service which furnished the Department :
: with tabular data for analysis. A uniform accounting :
: system is used, and information is given on standardized :
: forms. Data reported include: Costs and quantities of :
: raw milk and other raw materials; prices and quantities :
: of products sold; and operating costs. :
:
: The firms selected are privately owned, and chiefly single- :
: plant firms. In these characteristics they are considered :
: to be typical. Very small firms, very large firms, national :
: chains, and producer-distributors are not included. :
:

SALES AND COSTS

Net sales receipts per 100 pounds of milk and cream processed have been fairly stable over the last 8 years, except for seasonal variations. During the last 4 years, the largest year-to-year change has been less than 2 percent. Costs of materials for processing and resale in 1959 rose slightly over those in 1958, the 8-year low (table 1).

Gross margin increased in 1959, as it has every year in the 1952-59 period except 1954. Operating costs increased for the eighth straight year. Net margin--the remainder for payment of income taxes and return on investment--for the year 1959 was at about the same level as the 2 previous years.

For the October-December quarter of 1959, net sales receipts rose less than seasonally but were a little higher than a year earlier. Costs of materials for processing and resale were also a little higher than in the previous quarter and the fourth quarter of 1958. Gross margin, operating costs, and net margin were about the same as in October-December 1958.

Net Sales Receipts

Milk distributors' net receipts from sales in 1959 were \$11.16 per 100 pounds of milk and cream processed--up 11 cents from 1958. This was the first year-to-year increase since 1956. Net receipts have been quite stable throughout the 8 years 1952-59. In 1959, they were only about 1.5 percent below 1952, the high of the 8-year period, and only about 4.2 percent above 1954, the low year.

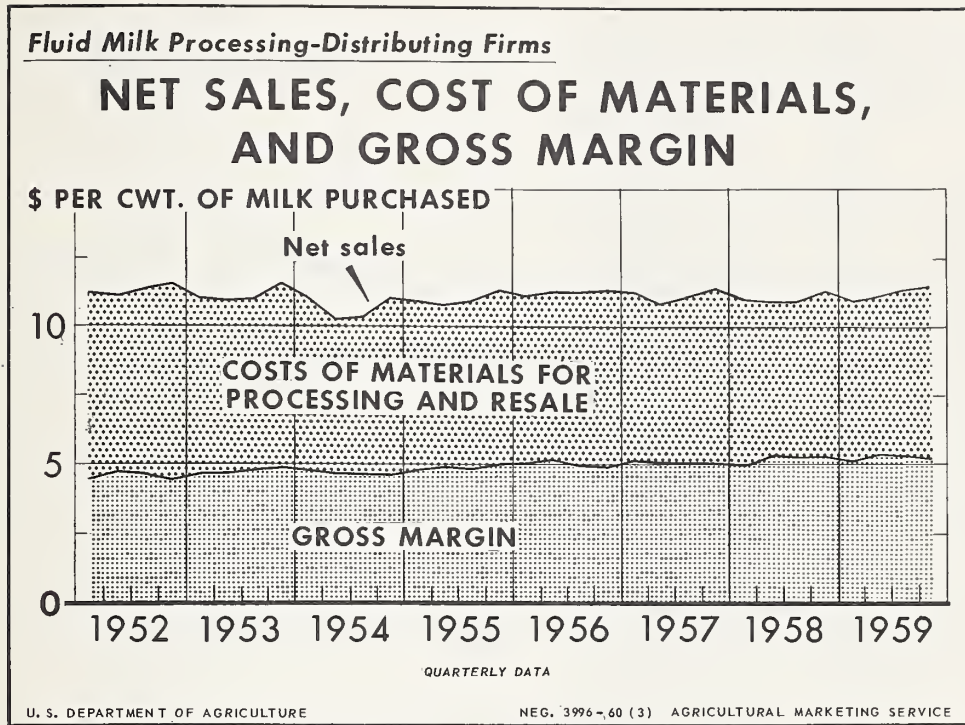


Figure 1

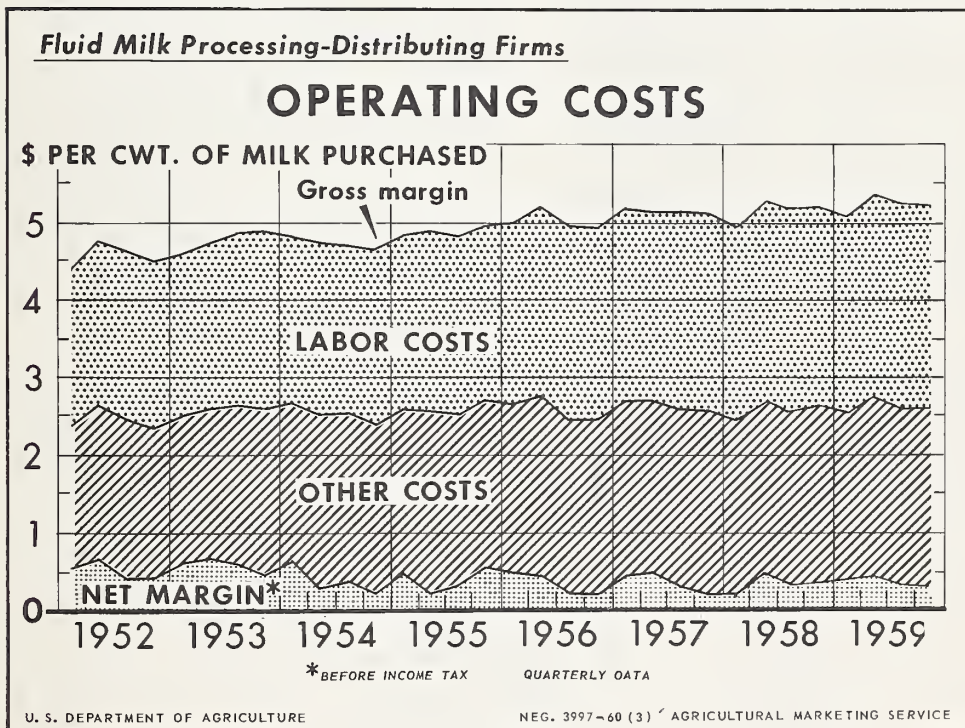


Figure 2

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-59, and for the 5 most recent quarters 1/

Account	Yearly average												
	: 1958 : 1959												
	1952	1953	1954	1955	1956	1957	1958	1958	1959	Oct. - :Jan. - :Apr. - :July - :Oct. -	Dec. :Mar. :June :Sept. :Dec.		
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	
Net sales receipts.....	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.28	10.93	11.10	11.26	11.34
Cost of materials for processing and resale:													
Raw milk and cream....	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.27	5.15	4.82	5.01	5.30
Other.....	.82	.86	.83	.89	.76	.77	.70	.80	.74	.67	.85	.97	.82
Total.....	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	6.01	5.82	5.67	5.98	6.12
Gross margin.....	4.65	4.83	4.79	4.94	5.03	5.15	5.22	5.26	5.27	5.11	5.43	5.28	5.22
Operating cost:													
Salaries, wages, and commissions 2/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.57	2.54	2.64	2.65	2.61
Containers.....	.60	.62	.65	.70	.72	.71	.70	.69	.71	.67	.73	.68	.65
Operating supplies.....	.30	.32	.35	.32	.28	.29	.29	.29	.30	.29	.29	.30	.30
Repairs, rent and depreciation.....	.50	.52	.57	.60	.64	.67	.68	.67	.67	.64	.67	.64	.69
Taxes.....	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06	.06
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.04	.04	.04	.04	.04
Services.....	.16	.19	.19	.18	.17	.17	.17	.17	.17	.15	.18	.20	.17
Advertising.....	.15	.15	.16	.18	.19	.18	.18	.18	.19	.17	.20	.18	.18
General.....	.15	.13	.13	.14	.16	.15	.16	.16	.18	.15	.14	.15	.18
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.89	4.71	4.95	4.91	4.90
Net margin 3/.....	.56	.63	.44	.44	.35	.38	.38	.39	.38	.40	.48	.37	.32
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80	80	80

1/ Revised.

2/ Includes State unemployment, Federal old age, compensation, and employee benefits.

3/ Net returns to owners before income taxes.

Net receipts from sales in the October-December quarter of 1959 were \$11.34. The increase of 8 cents from the previous quarter was less than seasonal. In most previous years, the change from the third quarter to the fourth quarter has been within a range of 25-35 cents.

Cost of Materials for Processing and Resale

In 1959, milk distributors' costs for materials for processing and resale were \$5.90 per 100 pounds of milk and cream processed. This was 7 cents more than in 1958, but lower than in any other year, except 1954, in the 1952-59 period. Cost of raw milk and cream, at \$5.10, declined 3 cents from 1958. This was the third straight year of decline and the lowest in the 8-year period except for 1954. Cost of other raw materials and products purchased for resale, at 80 cents, was 10 cents below 1958 but about average for other years. Total cost of materials for processing and resale was 53 percent of net sales receipts, unchanged from 1958, but less than in any other year.

For the October-December quarter, cost of materials for processing and resale rose less than seasonally, and at \$6.12 was up 11 cents from a year earlier. The gross margin of \$5.22 was a little lower than a year earlier.

Operating Costs

In 1959, operating costs continued the upward trend which has been unbroken since this series began in 1952. At \$4.87, operating costs per 100 pounds of milk and cream processed were up only 3 cents from 1958, the smallest of the 7 year-to-year increases. This increase of 3 cents was the net result of mixed changes in individual operating costs. The costs of salaries, wages, and commissions were up 5 cents, about the average year-to-year increase for the 8-year period. Costs of containers were down 1 cent for the third straight year, indicating that the shift to larger sized containers (which cost less per unit of product) is more than offsetting the increases in prices per container. Costs of rent, repairs, and depreciation leveled off in 1958 and were down 1 cent in 1959. Other operating costs were unchanged from 1958.

Changes in operating costs for the October-December quarter of 1959 also resulted from mixed changes among individual cost items. At \$4.90, they were 1 cent above October-December 1958. Costs of salaries, wages, and commissions, at \$2.61, were up; container cost of 65 cents was the lowest of any quarter since 1954; costs of 69 cents for rent, repairs, and depreciation were up from the same quarter of 1958.

Net margin for 1959 was 39 cents per 100 pounds of milk and cream processed, 1 cent higher than in 1957 and 1958.

Net margin in the October-December quarter of 1959 was, as in most previous years, below the annual average; at 32 cents it was about 6 cents lower than in October-December 1958.

ANALYSIS OF CHANGES IN NET PAYMENT RECEIVED 1/

Net payment received per quart of milk was smaller in 1959 than in 1956. An analysis of the sales of 80 representative fluid milk distributors shows that weighted average net receipts were 22.2 cents per quart in the April-June quarter of 1959, 0.1 cent less than 4 years earlier (table 2).

Table 2.--NET PAYMENT RECEIVED PER QUART OF FLUID MILK: sold by representative distributors, April-June quarter, 1956-59 1/

Year	Homogenized			Premium	Creamline	Weighted average
	Gallon	Half	Quarts	Quarts	Quarts	
	jugs	gallons	Quarts	Quarts	Quarts	
	Cents	Cents	Cents	Cents	Cents	
1956.....	18.5	21.8	22.6	25.4	22.3	22.3
1957.....	19.0	20.2	22.1	25.9	22.9	21.4
1958.....	18.7	21.1	23.3	26.3	23.2	22.1
1959.....	19.2	21.2	24.1	26.7	23.8	22.2

1/ Sales--less discounts, allowances, and returns--at retail and wholesale combined. Data not available for separating into subcategories such as home delivery, wholesale delivery, platform, etc.

Milk only; does not include skim milk, chocolate milk, buttermilk, or milk and cream mixtures, nor sizes of containers not commonly used in households, such as bulk containers, dispenser cans, pints, 1/3 quarts, and 1/2 pints.

Items included in this analysis were the types of milk (homogenized, creamline, and premium) sold in sizes of containers (gallons, 1/2-gallons, and quarts) used in households. These items account for 70 percent of the total product pounds sold by milk distributors. With one exception, net receipts per quart increased for each type of milk and size of container. Net receipts increased 0.7 cent per quart for homogenized milk in gallon containers, 1.5 cents for homogenized milk and creamline milk in quarts, and 1.3 cents for

1/ Net payment received is receipts from sales less discounts, allowances, and returns.

premium milk in quarts. The exception was a decrease of 0.6 cent for homogenized milk in half-gallons. In spite of these increases, average net receipts per quart decreased because of shifts to multiple-quart containers of homogenized milk (fig. 3) and to wholesale outlets. ^{2/} During the 4-year period 1956-59, sales of homogenized milk in half-gallons increased from 26 percent to 43 percent of total sales, while combined sales of premium and creamline milk in quarts decreased from 9 percent to 4 percent. Retail sales were 42 percent of the total in 1956, but only 37 percent in 1959.

The principal change in the weighted average net receipts per quart during the 4-year period was in 1957, when there was a sharp drop in net receipts per quart for half-gallons and quarts of homogenized milk. Most of the decline was regained in 1958, and there was a slight increase in average net receipts in 1959.

^{2/} For more detailed information about these shifts see MDSC-12.

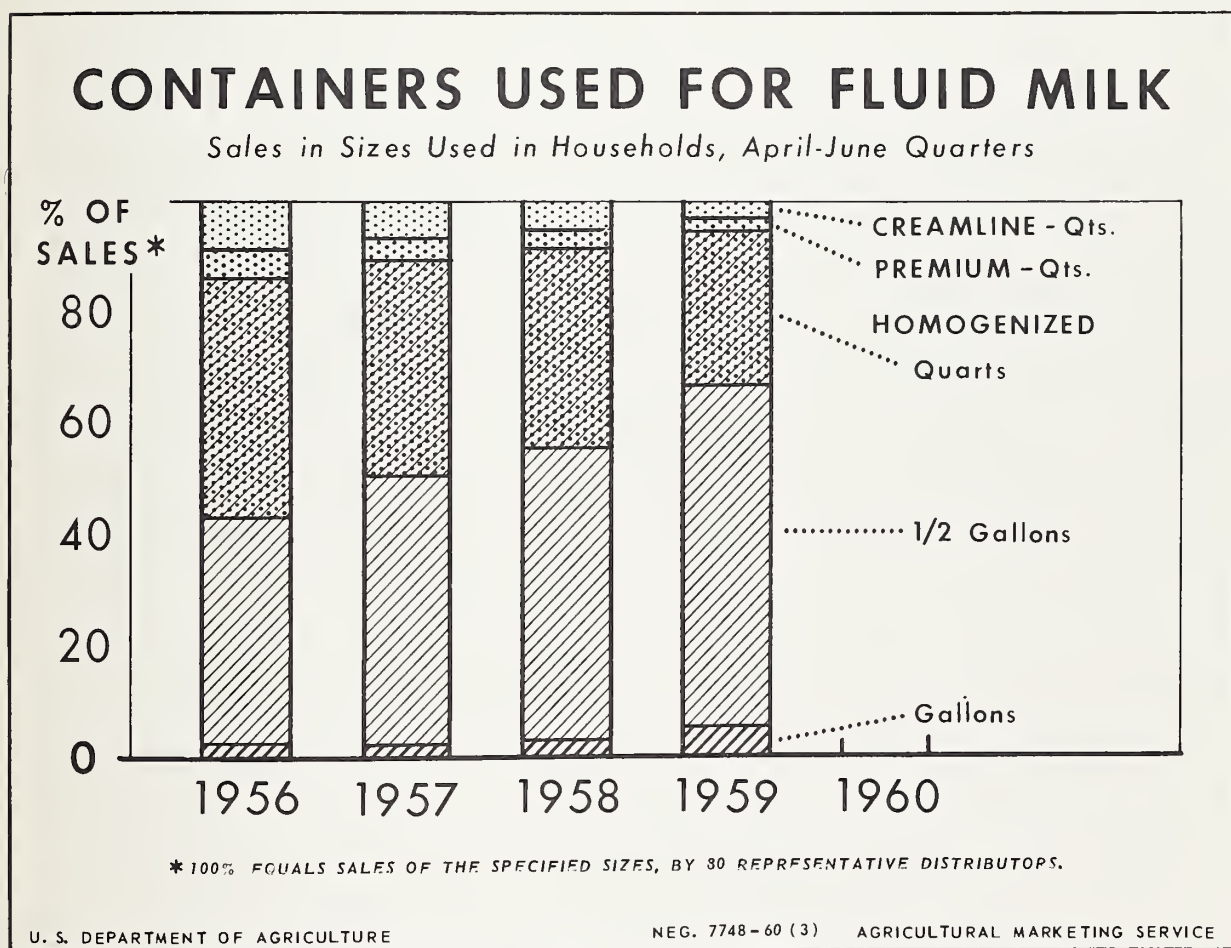


Figure 3

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